DOCUMENT RESUME

ED 481 461 HE 036 251

TITLE	NASFAA's Cash for College.
INSTITUTION	National Association of Student Financial Aid Administrators, Washington, DC.
PUB DATE	2003-08-00
NOTE	13p.
AVAILABLE FROM	National Association of Student Financial Aid Administrators, 1129 20th Street, NW, Suite 400, Washington, DC 20036. Tel: 202-785-0453; Web site: http://www.nasffa.org. For full text: http://www.nasfaa.org/AnnualPubs/cashforcollege.pdf.
PUB TYPE	Guides - Non-Classroom (055)
EDRS PRICE	EDRS Price MF01 Plus Postage. PC Not Available from EDRS
DESCRIPTORS	*Financial Aid Applicants; Higher Education; Merit Scholarships; Need Analysis (Student Financial Aid); *Paying for College; Student Costs; *Student Financial Aid; Student Financial Aid Officers

ABSTRACT

This guide advises students about college costs and how to pay them. The booklet explains financial aid and how it can help a student reach his or her educational goals. Merit-based and need-based aid programs are described, and the family's expected financial contribution is explained. The process of obtaining and completing the Free Application for Student Financial Aid (FAFSA) is outlined, and other types of aid are explained. A financial aid checklist is included. (SLD)

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NASFAA'S cash for college.

how much will it cost? how will I pay for it? some answers to your questions!

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helpful financial aid hints...

- ✖ Ask that a school catalog and financial aid information be sent to you. Read them carefully to find out about cost of attendance and other important information.
- ✖ Contact the school's financial aid administrator if you have financial aid questions that are left unanswered by the catalog. There is no charge for the financial aid office's services.
- ✖ Complete all paperwork carefully. Read and follow all instructions.
- ✖ Know the school's deadline dates and meet them.
- ✖ Answer any letters or mail you receive right away. You might miss a deadline.
- ✖ Keep copies of everything – forms you use to apply for financial aid, and any communications you receive or send that are related to your aid application.
- ✖ Reapply each year for financial aid as long as you need it.

quick fact:

In 2002, the maximum Pell Grant covered about 44% of the average cost of attendance at a four-year public college and about 18% at a private four-year college.

begin here...
Getting the education you want is possible. College isn't easy. But education after high school is within your reach. Succeeding is up to you.

When we say "college," we mean education for at least two years after high school. The more education you have, the more choices you have. It's that simple. The great thing about education after high school is that it doesn't have to happen all at once. You can take it a step at a time.

what does college cost?
College can be expensive if you don't have a plan. Costs vary from school to school, but private schools are generally more expensive than public schools. In addition to tuition, fees, books and supplies, you have to think about living expenses (such as room and board), and other expenses such as health insurance, child care, transportation, and spending money. These expenses are all part of what is called the Cost of Attendance or COA. The cost of attendance is different for every school.

how will I pay for it?
Students pay for their education in a variety of ways. Most students use a combination of financial aid. This booklet is designed to help you understand what financial aid is and how it can help you reach your educational goals.

what is financial aid?
Financial aid is money in the form of grants, scholarships, work-study, loans, education tax credits, or a benefit from completing community or military service. Financial aid exists to help students and their families pay for education after high school.

Grants and scholarships don't have to be paid back. They are considered a gift and are called "gift aid." Work-study is money that you earn by working at a part-time job while you are in school. A loan is borrowed money that must be paid back, usually after you leave school. Work-study and loans are sometimes called "self-help aid."

Education tax credits, like the Hope Scholarship Tax Credit and the Lifetime Learning Tax Credit, are available to individuals and families who file a tax return and owe taxes. Tax credits are subtracted from the tax an individual or family owes, rather than reducing taxable income like a tax deduction. To learn more about education tax credits, see the

Parent and Student Guide to Federal Tax Benefits for Tuition and Fees on the National Association of Student Financial Aid Administrators (NASFAA) web site. You can access this information by going to **http://www.nasfaa.org/annualpubs/TaxBenefitsGuideIntroPS.html**. You may also want to check with your tax advisor.

what kinds of aid are there?
There are two types of financial aid. One is called merit-based aid. Merit-based aid doesn't have anything to do with your family's finances. It is awarded based on how good you are at something, like music, science,or athletics. Scholarships are usually an example of merit-based aid. Merit-based aid usually doesn't have to be paid back, though sometimes there are restrictions or conditions on the award.

The other type is called need-based aid. The amount of need-based aid you receive depends on how much you and your family can afford to pay towards your educational expenses. Generally, both students and their families are expected to help pay. This amount you and your family should be able to pay is called the Expected Family Contribution, or EFC.

what is financial need?
Financial need is the difference between the Cost of Attendance (COA) and the EFC. Financial need can be expressed as an equation: COA minus EFC equals Financial Need. It looks like this:

The COA usually varies from school to school, but the EFC stays about the same. Therefore, a student's need for assistance will differ from school to school because the COA is different.

how is the EFC calculated?
It starts with the *Free Application for Federal Student Aid* (FAFSA). You use it to apply for federal and most state and school financial aid. Your EFC is calculated using a standard formula that uses the information you and your family provide on the FAFSA. You are asked questions about:

- your family size,
- the number of family members that are in college,
- whether you are a dependent or independent student, and
- your and your family's income and assets.

Assets are things like cash, checking and savings accounts, ownership of or equity in a business, real estate other than your family home, and investments.

All this information is part of the formula used to calculate your Expected Family Contribution. If your EFC is less than your COA, you may be eligible for need-based financial aid.

quick fact:

Nationally, about 13% of traditional-aged undergraduates came from families with income of less than $20,000 per year during academic year 1999-2000.

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how do I know if I am dependent or independent?
Another important function of the FAFSA is determining whether you have dependent or independent student status. For the 2004-2005 school year (July 1, 2004, through June 30, 2005), the U.S. Department of Education considers students to be independent of their parent(s) if the student meets any one of the following conditions:

- Is at least 24 years old by December 31, 2004;
- Is an orphan (both parents are deceased);
- Is a ward of the court, or was until age 18;
- Is a veteran of the U.S. Armed Forces;
- Has legal dependents (children or persons other than a spouse);
- Will be a graduate or professional student in 2004-2005;
- Is married; or
- Can prove to the school unusual circumstances that show independent status.

The rules about dependency relate to students who are applying for federal financial aid. Most schools also use these rules for their own need-based aid programs. State aid program rules may vary. Ask the financial aid administrator at the school to be sure.

how do I apply for need-based financial aid?
To be considered for any of the federal programs sponsored by the U.S. Department of Education and many state or school programs, you must complete a FAFSA. Financial aid is given on a year-by-year basis and you must reapply each year.

what kind of need-based aid is available?
There are three kinds of federal need-based aid: grants, loans, and work-study.

The federal grant programs include:
- Federal Pell Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)

The federal loan programs include:
- Federal Perkins Loan
- Federal Family Education Loan (FFEL)
- William D. Ford Federal Direct Loan (Direct Loan)

The federal work program:
- Federal Work-Study

To learn about all of these programs in detail, get a free copy of the U.S. Department of Education's Student Guide. It is available on the web at: **http://studentaid.ed.gov/students/publications/student_guide/index.html** or by calling 1-800-4FEDAID.

a note on borrowing . . .
Before you borrow, remember that you must repay loans at some point in the future, usually after you leave school. The more you borrow, the more you will have to repay. Think about your career choice, ensuring it will support your monthly loan payments in addition to your living expenses. Be a wise and informed borrower.

You can get more information from your school's financial aid administrator, who can help you understand your rights and responsibilities regarding loans.

where do I get a FAFSA?
The FAFSA is available in two formats: paper and electronic. The paper FAFSA is available from your high school, the school you would like to attend, and the public library, or by calling 1-800-4FEDAID. The electronic FAFSA on the web is available at **http://www.fafsa.ed.gov.**

One of the good things about applying for aid using FAFSA on the web is that it is designed to help you catch most errors before your application is sent. You can apply on the web anywhere you have Internet access—at home, school, computer lab, library, community center, or a friend's house—24 hours a day, 7 days a week.

Whatever way you choose to apply, the FAFSA is always free.

quick fact:

Of the $90 billion in aid available to students in 2001-2002, student loans total about 54% and grants/work 46%.

deadlines are important!
Financial aid forms and applications are just like homework; you have to turn them in correctly and on time. Now is the best time to start learning this simple fact, if you haven't already. It will help you be more successful in college. Every type of financial aid has a deadline and most of them are different. In order for your application to be considered, each deadline must be met or you are out of the running. Plain and simple.

It is very important to answer questions truthfully and correctly. Follow all the instructions. If you don't, you will create delays in processing your application. Because financial aid is usually given on a first-come, first-served basis, delays are frustrating and could hurt you. It is best to fill out and submit your FAFSA as soon as possible after January 1. Don't wait until the last minute. It's your responsibility to stay on top of things.

what happens after I send the FAFSA?
After answering all the questions, submit the FAFSA. (You may even want to make a copy of the FAFSA for your records.) All your information is transmitted to a central processor where it is reviewed, analyzed, and your EFC is calculated. The information you give is also matched with other information in different federal databases, like the Social Security Administration and the Department of Veterans Affairs. The results of this analysis are sent to you in a document called a Student Aid Report, or SAR, and to the schools where you are applying. If you provide an e-mail address on your FAFSA, you will receive an e-mail that contains a link to your SAR information on the web. The SAR on the web may be printed and any corrections to

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the data can be made directly on-line. If you do not provide an e-mail address, you will receive a paper SAR or SAR Acknowledgement. Review all the information on your SAR or SAR Acknowledgement to make sure it is correct. If any information is wrong, call your school immediately to find out how to make corrections.

Keep all parts of your SAR in a safe place. Most schools will not ask you to send your SAR to them, but some schools may need it to make a financial aid offer to you. Check with your school to see if they need a copy of your SAR. If they do, send it right away even if your SAR says you are not eligible to receive certain federal aid. The school might be able to offer you other financial aid based on the information in the SAR.

In addition to your SAR, the Department of Education will also mail you a personal code number, known as a PIN. The PIN serves as an electronic signature and as your identifier to let you access your personal information in various U.S. Department of Education systems. If you do not receive a PIN number from the Department, you can apply for one at **http://www.pin.ed.gov.**

how do I know what kind of aid I receive?
Your school will send you an award letter or notice that lists the types and amounts of aid for which you are eligible for. Most schools award aid in the form of a financial aid package that combines the aid programs such as, scholarships, grants, loans, and work-study.

The types and amounts of aid you are offered will vary from school to school, depending on each school's cost of attendance, available funds, and the number of aid applicants. Schools might ask you to formally accept or decline your award offer and usually require you to do so by a specific date. Note that you can accept or decline parts of your aid package. Remember what we said about meeting deadlines!

what other kind of aid is there?
Aid can also come from the school (institutional aid), and/or from your state (state financial aid). This aid can be need-based or merit-based. In addition to the FAFSA, some schools or states may ask you to fill out other forms, for which a fee may be charged. These forms contain additional information which schools or states use to decide whether to offer you aid from their resources. Because the types of applications are different from state to state and school to school, check each school's financial aid procedure as outlined in their printed materials or on their web site to make sure you complete all the right paperwork on time.

quick fact:

In 2002-2003, 68% of full-time undergraduates who attend four-year colleges face tuition charges, before student aid, of less than $8,000.

how do I compare different aid offers?
If you are applying for financial aid at more than one school, you may receive several offers of aid. Take a close look at the offers and compare:

- The COA. The more expensive a school is, the more financial aid you may need to make ends meet. A high cost of attendance may not be a problem as long as you can pay for it. Make sure you know what items are included in the cost of attendance, and compare the figures with your own estimates.

- The EFC. Remember, the EFC is not financial aid. It is the amount you and your parents are expected to pay for your education. You and/or your parents may be able to borrow an educational loan to help come up with the Expected Family Contribution. Check with your school financial aid administrator if you want to investigate alternative funding sources.

- The total financial aid package. Remember that grants and scholarships are gifts; you do not generally have to repay or work for them. Compare the total gift aid (grants and scholarships) to the cost of attendance. A high proportion of gift aid in the package may mean you will not have to borrow or work as much to meet your expenses. If you need to borrow, remember that the terms and conditions of educational loans can vary. Make sure you understand the terms and the costs (i.e., interest rate, loan fees, and repayment schedule) of each loan you are offered.

- Unmet financial need. If the aid package does not contain enough money to cover all your financial need, you will have to come up with the difference in addition to the EFC. If the unmet need is significant, this may mean you or your parents need to borrow more, or you may need to find a part-time job.

- Restrictions or conditions of the award. Look carefully at the things you must do to receive and keep your financial aid.

- Beware of the bottom line. The total amount of aid in your package is not necessarily the most important figure. Consider the whole package, starting with the cost of attendance. Subtract the financial aid offer from the cost of attendance to see exactly how much you and your family will have to pay, then decide. Remember that the largest aid offer may not be the least expensive option. This is because the COA varies as does the individual composition of each financial aid package.

what if I don't get need-based aid?
If you do not qualify for need-based aid, or if you feel your award is not enough to allow you to go to school, contact the financial aid administrator to ask about other options. You may have special circumstances that were not considered when your eligibility for aid was determined. The financial aid administrator can also recommend other funding sources which are not based on need, such as the Federal PLUS/Direct PLUS loan, the unsubsidized Federal Stafford or Direct Loan programs, monthly payment plans, or merit-based aid.

how do I apply for other merit-based aid?
In addition to applying for institutional or state merit-based aid from the schools and your state, take charge and begin your own search for merit-based aid from other private sources. You can do this on the Internet and in the library. Looking for merit-based aid takes time and effort. It doesn't just fall in your lap. Think about your search for college money as part of learning about how college works. The time spent will be worth it.

Some high schools, colleges, and libraries have computerized scholarship listings that will help you find potential sources of funds. When using a scholarship search, ask your school if the organization is reliable and has a good reputation. There are some scholarship searches that will charge you a fee for their services. Be careful. You might be able to find everything you need on the Internet for free!

where can I get more information?
Contact a financial aid administrator at each school you are considering. Look for the school's web site on the Internet. More and more schools are sharing information electronically with prospective students and their families. The public library is also an excellent place to find information about paying for college. If you are in high school, you may want to contact your high school counselor.

The Internet is a great place to look for information. NASFAA has a web site which contains an information page for students and parents. This site helps you understand both the academic and financial aid issues related to education after high school. It also contains helpful worksheets and easy to understand guides, including a calendar checklist for grades 8 - 12 to help you prepare for college. You can access this web site by going to:
http://www.nasfaa.org/ParentsStudents.asp?Tab=ParentsStudents.

The NASFAA web site also has links to free scholarship search databases at **http://www.nasfaa.org/subhomes/abcs/other.html.** To see these links, scroll to the bottom of the page.

quick fact:

About 62% of undergraduates at four-year public colleges and 76% of those at four-year private colleges received financial aid in 1999-2000.

what do financial aid administrators do?
Every school that has a financial aid program employs a financial aid administrator (FAA) to watch over and be responsible for the entire aid process at that school.

The FAA is a professional, available to help you and your family complete financial aid forms, answer questions, calculate your COA, and determine your financial need. To do this, he or she may ask for documents describing your family's financial condition, such as U.S. income tax returns. If you can show that you have need, your financial aid administrator will try to award you enough aid to meet that need.

The financial aid administrator is your best source of information about financial aid programs and application procedures. Don't hesitate to call with your questions. They are there to help you and your family and their help is always free.

You should contact your financial aid administrator if your family's situation changes after you have completed the FAFSA. Under special circumstances, he or she may be able to recalculate your EFC.

about financial aid consultants . . .
A financial aid consultant is different from a financial aid administrator. Financial aid consultants will usually charge a fee based on the services provided and the student's particular needs. A financial aid administrator will perform these same services for free. Before considering a consultant, first speak to a financial aid administrator. Even if you are planning to attend another school, you can still contact a local financial aid office for information.

Before you or your family hires a consultant, be sure to request a list of professional references from the consultant and contact those references. If you or your family decide to use the services of a consultant remember the following:

- The consultant's fee should be refundable if the application is completed incorrectly.

- Never agree to a fee based on the percentage of aid received. A financial aid consultant cannot guarantee you will receive gift aid. Certain scholarships and grants awarded by schools are discretionary funds that may or may not be awarded to every student each year.

- If the consultant prepares the FAFSA for you, he or she should sign the FAFSA as a preparer.

- Never sign a blank form. You and your parents should always review and sign the FAFSA after it has been prepared, and you should mail it to the FAFSA processor yourselves. You are legally responsible for the information contained within. As with all important documents, you should keep copies of the FAFSA and other applications for your files, even if someone has helped you with their preparation.

NASFAA also offers advice on choosing a financial aid consultant. To review this information, please go to: **http://www.nasfaa.org/publications/2000/consultantsservices.asp**

your future . . .
Whatever your goals are, your education is the best investment you can make in yourself, and you deserve the best. Important investments generally take money, time, and effort; they may also involve some risk. Fortunately, when it comes to investing in education, you can eliminate most of the risk and you can find financial help, if it is necessary. Only you can provide the time and effort. Good luck!

quick facts:

Student aid comes from many sources, but the majority (69%) of funds come from the federal government in 2001-2002.

In 2002, 65% of high school graduates went to college immediately, and many more will ultimately attend college.

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Financial aid checklist

This checklist will help you keep track of important information and dates in the financial aid application process. It is a good idea to keep copies of everything and to keep a folder of all records for each school where you apply.

Name of school			
Date school catalog requested			
Deadline for admission			
Date admission application sent			
Deadline for FAFSA			
Date FAFSA sent			
Date other financial aid forms and documents sent			
Date all parts of SAR sent to school you selected, if required			

Dates you received and responded to inquiries from:

Application Processor			
School			
Other Agencies			
Date you received award letter			
Date you accepted/declined and returned award offer to school			

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This brochure was prepared by the National Association of Student Financial Aid Administrators
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Updated by NASFAA August 2003.

Due to the nature of federal, state, and institutional guidelines affecting student aid programs, the information contained herein is subject to change without notice.

The National Association of Student Financial Aid Administrators (NASFAA) is a nonprofit association of postsecondary institutions, individuals, agencies, and students interested in promoting the effective administration of student financial aid in the United States.

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